



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

October 26, 2009

Dear ASRS System Member:

RE: 2009 13th Check and Future Monthly Annuity Payments

This letter is to update you on the progress of the ASRS as it determines its obligations with respect to the amount of future benefit payments to System members in light of an anticipated decline in the funded status of your plan.

Each year the ASRS obtains an independent actuarial valuation of the System which is used to determine the plan's funded status and to calculate a year-end benefit to retirees, issued in the form of a "13th check." This year's valuation is expected to show the funded status of the System as of June 30, 2009 to be below 95 percent, due primarily to the overall market decline during that fiscal year.

In anticipation of the System falling below a 95 percent funded status and the hardship that any benefit reductions might pose to our System members, the ASRS requested a formal opinion from the Arizona Office of the Attorney General in December 2008, regarding the possibility that the Arizona Constitution or laws could be broadly interpreted to protect System member benefits from possible reductions. Although we have all proceeded on decades of administrative and legal interpretations, a more current formal opinion fully considering the application of Arizona laws could result in a different legal perspective. Given the complexities of the legal issues, we are still awaiting a response.

In the interim, although certainly no additions to this calendar year's 13th check will be made, the amount of the 2009 13th check is expected be the same as it was last year with the check to be issued by December 2009. Furthermore, no reductions to monthly annuity payments are expected at least until June 30, 2010, and then only if necessary.

The ASRS plans to determine potential future reductions in System member payments or account balances only after an actuarial valuation is conducted to determine the reductions (supplemental adjustments). The determination of reductions is not expected to occur until after June 30, 2010, at which point we also anticipate that a response from the Arizona Office of the Attorney General with respect to the various legal issues and interpretations will have been received.

Once the ASRS determines the supplemental adjustments, and receives the formal legal opinion, all System members will be mailed a follow-up letter describing the process the ASRS will follow should a reduction be required, or the reasons why a reduction is not required.

The ASRS will continue to post updates on our website, www.azasrs.gov, under the *Members* category, *System Members* section as new information arises. We understand the importance of your ASRS System benefit and will continue to do all we can to ensure your benefits continue to provide to you the utmost security in your retirement.

Sincerely,

Paul Matson
Director